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IN THE

Supreme Court of the United States

INTERNATIONAL GAME TECHNOLOGY AND IGT,
Petitioners,

v.

ARISTOCRAT TECHNOLOGIES AUSTRALIA PTY LIMITED AND ARISTOCRAT TECHNOLOGIES, INC.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR CISCO SYSTEMS, INC., DELL INC., GOOGLE INC., MICROSOFT CORPORATION, NETGEAR, INC., AND SAP AMERICA, INC. AS *AMICI CURIAE* IN SUPPORT OF PETITIONERS

CHRISTOPHER J. MEADE
ALAN E. SCHOENFELD
WILMER CUTLER PICKERING HALE AND DORR LLP
399 Park Avenue
New York, NY 10022
(212) 230-8800

WILLIAM F. LEE
DAVID B. BASSETT
MARK C. FLEMING
Counsel of Record
WILMER CUTLER PICKERING HALE AND DORR LLP
60 State Street
Boston, MA 02109
(617) 526-6000

QUESTION PRESENTED

Whether a patent infringement defendant may assert as a defense the fact that the patent resulted from an abandoned application that was not revived according to the requirements prescribed by Congress.

TABLE OF CONTENTS

Page

QUESTION PRESENTED i

TABLE OF AUTHORITIES iv

INTEREST OF THE *AMICI CURIAE* 1

SUMMARY OF THE ARGUMENT 2

ARGUMENT 4

I. THE FEDERAL CIRCUIT'S DECISION IS CONTRARY TO THE PATENT ACT 4

A. The Federal Circuit Disregarded Congress's Requirement Of Diligence In Prosecution 5

B. The Federal Circuit's Statement That Applicants Lacked Any Incentive To Violate The Abandonment And Revival Provisions Was Both Inapposite And Incorrect 11

1. The Federal Circuit should not excuse statutory violations based only on its own inability to "discern" an "incentive" for noncompliance 12

2. Applicants have substantial incentives to manipulate the system 14

II. THIS CASE IS OF SIGNIFICANT NATIONAL IMPORTANCE 20

CONCLUSION 23

TABLE OF AUTHORITIES

CASES

Page(s)

Atlantic Works v. *Brady*, 107 U.S. 192 (1883) 17

Brasseler, U.S.A. I, L.P. v. *Stryker Sales Corp.*, 267 F.3d 1370 (Fed. Cir. 2001) 18

Cargill, Inc. v. *Canbra Foods, Ltd.*, 476 F.3d 1359 (Fed. Cir. 2007) 17

Creo Products, Inc. v. *Presstek, Inc.*, 166 F. Supp. 2d 944 (D. Del. 2001), *aff'd*, 305 F.3d 1337 (Fed. Cir. 2002) 12

Day-Brite Lighting Inc. v. *Missouri*, 342 U.S. 421 (1952) 13

Dethmers Manufacturing Co. v. *Automatic Equipment Manufacturing Co.*, 272 F.3d 1365 (Fed. Cir. 2001) 12

DiscoVision Associates v. *Disc Manufacturing Inc.*, 42 U.S.P.Q.2d 1749 (D. Del. 1997) 15

eBay Inc. v. *MercExchange, LLC*, 547 U.S. 388 (2006) 16

Field Hybrids, LLC v. *Toyota Motor Corp.*, No. CIV.03-4121, 2005 WL 189710 (D. Minn. Jan. 27, 2005) 9

Giese v. *Pierce Chemical Co.*, 43 F. Supp. 2d 98 (D. Mass. 1999) 12

Graham v. *John Deere Co.*, 383 U.S. 1 (1966) 5, 6

In re Fisher, 421 F.3d 1365 (Fed. Cir. 2005) 6

In re Longi, 759 F.2d 887 (Fed. Cir. 1985) 13

TABLE OF AUTHORITIES—Continued

Page(s)

In re Metoprolol Succinate Patent Litigation, 494 F.3d 1011 (Fed. Cir. 2007) 13

Lawman Armor Corp. v. *Simon*, No. 04-CV-72260, 2005 WL 1176973 (E.D. Mich. Mar. 29, 2005) 9

Mahn v. *Harwood*, 112 U.S. 354 (1884) 9, 13

McClurg v. *Kingsland*, 42 U.S. (1 How.) 202 (1843) 5

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Parker v. *Flook*, 437 U.S. 584 (1978) 5

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Pratt & Whitney Co. v. *United States*, 345 F.2d 838 (Ct. Cl. 1965) 10

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TABLE OF AUTHORITIES—Continued

Page(s)

Sony Corp. of America v. *Universal City Studios, Inc.*, 464 U.S. 417 (1984) 5

Symbol Technologies, Inc. v. *Lemelson Medical, Educational & Research Foundation*, 422 F.3d 1378 (Fed. Cir. 2005) 9, 10, 19

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United States v. *American Bell Telephone Co.*, 167 U.S. 224 (1897) 2, 9

United States ex rel. Bernardin v. *Duell*, 172 U.S. 576 (1899) 5

Warner-Jenkinson Co. v. *Hilton Davis Chemical Co.*, 520 U.S. 17 (1997) 5

Webster Electric Co. v. *Splitdorf Electrical Co.*, 264 U.S. 463 (1924) 9, 14

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STATUTES AND REGULATIONS

35 U.S.C.

§§ 101 *et seq.* 2
§ 111 21
§ 122 21
§ 133 ..... 3, 6, 7
§ 282 ..... 12, 20
§ 305 12
§ 371 ..... 3, 6, 7

Patent Act of 1870, 16 Stat. 198 6

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Page(s)

37 C.F.R. § 1.175 12

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INTEREST OF THE *AMICI CURIAE*[1]

Amici are leading businesses in the information technology, software, networking, computer, and Internet industries. *Amici* hold thousands of patents that have been prosecuted in compliance with the Pat-

[1] No counsel for any party authored this brief in whole or in part, and no persons or entities, other than *amici*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief. Counsel of record for each party received timely notice of intent to file this brief. Letters from the parties consenting to the filing of this brief are on file with the Clerk.

ent Act, 35 U.S.C. §§ 101 *et seq.* *Amici* are also frequent targets of infringement lawsuits based on patents of questionable validity, including patents resulting from applications that were abandoned and later "revived." *Amici* have a strong interest in ensuring that patent monopolies are not extended beyond the limits that Congress has prescribed and that abandoned applications are not used to stifle legitimate competition and innovation.

Amici support the arguments made in the petition for certiorari. In this brief, *amici* present additional reasons why the Federal Circuit's decision conflicts with the plain language of the Patent Act, the decisions of this Court, and the salutary purposes of the patent system.

SUMMARY OF THE ARGUMENT

Congress's authority to impose limits on patent rights is unquestioned, and "[n]o court can disregard any statutory provisions in respect to [patent] matters on the ground that in its judgment they are unwise or prejudicial to the interests of the public." *United States* v. *American Bell Tel. Co.*, 167 U.S. 224, 247 (1897). The Constitution grants Congress plenary power over matters of patent law. In light of this express authority and of Congress's superior ability to make patent policy in response to changing industrial circumstances, the federal courts must adhere to Congress's policy judgments as implemented in the patent law. In this case, the Federal Circuit disregarded Congress's limitations on the patent monopoly instead of applying them. If left unchecked, that decision will exacerbate the already serious problem of costly infringement litigation against U.S. industry based on patents that should never have issued.

Congress has long required patent applicants to prosecute their applications diligently. That requirement is implemented through statutory deadlines that, if not met, lead to abandonment of the application, which cannot be cured except (as relevant here) if the applicant proves that the delay was "unavoidable." 35 U.S.C. §§ 133, 371(d). Here, the district court found that Respondents abandoned their application and failed to meet the statutory standard for revival. The Federal Circuit overlooked those violations because, it held, an infringement defendant cannot challenge the patent-in-suit due to abandonment and improper revival.

The Federal Circuit's decision dismissed Congress's deadlines as "minor" and "procedural." Pet. App. 11a. But as this Court has held, prosecution deadlines and revival standards reflect Congress's judgment regarding the level of diligence required of parties who pursue a patent monopoly. The Federal Circuit's decision improperly expands that monopoly.

The decision also untenably exalts *judicial* assessments over *Congress's* determination of what constitutes undue delay in patent prosecution. The judicial doctrine of "prosecution laches" allows invalidation of a patent-in-suit if the court believes that the applicant engaged in an unreasonable delay. There is no reason to forbid a similar defense where Congress, rather than a court, has determined that the applicant's delay was unreasonable and unjustifiable.

The Federal Circuit based its decision on the assertion that it could "discern" no "legitimate incentive" for an applicant to seek unlawful revival of an abandoned application. Pet. App. 13a. But the court's inability to "discern" incentives is no basis for second-guessing

Congress's judgment. The court ignored significant *illegitimate* incentives for a party to abandon an application and then, to further its financial interests, reviving it by circumventing the requirements of the Act and using the resulting patent to sue industries that have matured since the original application was abandoned. The Federal Circuit's decision will encourage applicants to manipulate the system and will deprive infringement defendants of a necessary defense against improperly issued patents, thereby hampering innovation and competition.

Hundreds of patents issue each year from abandoned applications that are later revived under a standard that, as the district court held, violates the Patent Act. The Federal Circuit's decision condones such violations by placing them beyond correction. The decision may also imperil other infringement defenses for which the Federal Circuit might not "discern" sufficient policy justification. The Court should grant certiorari and reverse the judgment below.

ARGUMENT

I. THE FEDERAL CIRCUIT'S DECISION IS CONTRARY TO THE PATENT ACT

Innovative technology companies too often face infringement suits based on patents that, under the plain language of the Patent Act, should never have issued. The Federal Circuit's ruling allows such lawsuits to proceed, to the significant detriment of progress and innovation and contrary to Congress's express limitations on the patent monopoly. The Court should grant certiorari and reaffirm that Congress's policy judgments, as reflected in the statutory abandonment and revival provisions, are to be given effect, not disregarded by courts.

A. The Federal Circuit Disregarded Congress's Requirement Of Diligence In Prosecution

Where Congress has spoken on matters of patent law, courts must implement Congress's policy judgment, not their own. The power of Congress to legislate in patent matters is limited only by the terms of the Constitution. *McClurg* v. *Kingsland*, 42 U.S. (1 How.) 202, 206 (1843). "Within the limits of the constitutional grant, the Congress may, of course, implement the stated purpose of the Framers by selecting the policy which in its judgment best effectuates the constitutional aim." *Graham* v. *John Deere Co.*, 383 U.S. 1, 6 (1966).

In making patent policy, "[C]ongress may provide such instrumentalities in respect of securing to inventors the exclusive right to their discoveries as in its judgment will be best calculated to effect that object." *United States ex rel. Bernardin* v. *Duell*, 172 U.S. 576, 583 (1899). As this Court has repeatedly acknowledged, Congress is best situated to effect the "difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand." *Sony Corp. of Am.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984); *see also Parker* v. *Flook*, 437 U.S. 584, 595 (1978) ("Difficult questions of policy concerning the kinds of programs that may be appropriate for patent protection and the form and duration of such protection can be answered by Congress on the basis of current empirical data not equally available to this tribunal."). Accordingly, this Court has held, "policy arguments" in the area of patent law are "best addressed to Congress, not this Court." *Warner-Jenkinson Co.* v. *Hilton Davis*

Chemical Co., 520 U.S. 17, 28 (1997); *see also In re Fisher*, 421 F.3d 1365, 1378 (Fed. Cir. 2005) (dismissing arguments as "public policy considerations which are more appropriately directed to Congress as the legislative branch of government"). The courts' role is limited to "giv[ing] effect to the constitutional standard by appropriate application, in each case, of the statutory scheme of the Congress." *Graham*, 383 U.S. at 6.

The Federal Circuit disregarded Congress's command, made plain in 35 U.S.C. §§ 133 and 371(d), that parties seeking to obtain a patent exercise diligence in prosecuting applications. The Federal Circuit held that applicants who clearly—and even deliberately—abandoned their applications, yet later procured their revival in violation of the statute, not only would obtain patents but would have their violations overlooked in later infringement litigation. The Federal Circuit's decision improperly expands the patent monopoly.

Congress has long required an applicant to meet specific deadlines in order to earn a patent. In 1870, Congress provided that, if an applicant failed to prosecute its application within two years of any Patent Office action, the application "shall be regarded as abandoned ... unless shown to the satisfaction of the commissioner that such delay was unavoidable." Patent Act of 1870, § 32, 16 Stat. 198, 202. Congress reduced the response period to one year in 1897 and to six months in 1927. *See Overland Motor Co.* v. *Packard Motor Car Co.*, 274 U.S. 417, 422-423 (1927) (discussing the Act's history).

The modern Act retains this requirement: an applicant must "prosecute the application within six months after any action therein," or else the application will be "regarded as abandoned ... unless it be shown to the

satisfaction of the Director that such delay was unavoidable." 35 U.S.C. § 133. Congress adopted a similar provision—also applicable here—for applications pursuant to the Patent Cooperation Treaty, requiring that certain steps (including payment of a "national stage fee") be taken "by the date of commencement of the national stage" and that failure to comply "shall be regarded as abandonment of the application ... unless it be shown to the satisfaction of the Director that such delay was unavoidable." *Id.* § 371(d).

As this Court has observed, Congress's determination that applications not prosecuted within specified time periods are deemed abandoned, as well as the limited situations in which abandoned applications may be revived, "show[] the intention of Congress to require diligence in prosecuting the claims to an exclusive [patent] right." *Woodbury Patent Planing-Mach. Co.* v. *Keith*, 101 U.S. 479, 485 (1879). Section 133 and related sections fix "the measure of reasonable promptness" in patent prosecution. *Overland Motor*, 274 U.S. at 424. An applicant must accordingly be "vigilant and active in complying with the statutory conditions." *Woodbury*, 101 U.S. at 485.

In this infringement action, the district court held that Respondents failed to comply with the deadlines in Sections 133 and 371(d). Pet. App. 49a-54a. Although the Patent and Trademark Office (PTO) purported to "revive" the application, the district court held that the revival violated the Patent Act, because the PTO had not required Respondents to show that their delay was "unavoidable"; instead, the PTO allowed revival based merely on Respondents' declaration that the delay was "unintentional." *Id.* at 54a (citing 35 U.S.C. §§ 133, 371(d)). The Federal Circuit did not disturb the district

court's conclusion that the PTO's revival of the application was an abuse of discretion.[2]

Instead, the Federal Circuit held that, even assuming that the application was abandoned and not lawfully revivable, Respondents' failure to comply with Sections 133 and 371(d) was of no consequence because "improper revival may not be asserted as a defense in an action involving the validity or infringement of a patent." Pet. App. 10a. In so ruling, the Federal Circuit referenced the risk that "any prosecution irregularity or procedural lapse, however minor," could become a basis for an invalidity argument. *Id.* at 11a.

The Federal Circuit erred in its apparent belief that Congress's deadlines for patent prosecution and standards for revival are "minor" issues that courts may freely disregard. Whether characterized as "procedural" or not, Sections 133 and 371(d) implement Congress's judgment as to what "measure of reasonable promptness" is required of parties who pursue a patent monopoly. *Overland Motor*, 274 U.S. at 424. As this Court has stated, that subject matter is "entirely within the control of Congress" (*id.* at 423), and "[n]o court can disregard any statutory provisions in respect to these matters on the ground that in its judgment they are unwise or prejudicial to the interests of the

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[2] Because the Federal Circuit did not address the PTO's decision to revive the patent application even though the delay was not shown to be "unavoidable," *amici* do not address the issue. We note, however, that the district court's conclusion that the PTO abused its discretion in applying an "unintentional" standard for revival is consistent with both the plain language of Sections 133 and 371(d) and Congress's decision to leave the "unavoidable" standard unchanged since 1870. *See* Pet. App. 32a-41a.

public" (*United States* v. *American Bell Telephone Co.*, 167 U.S. 224, 247 (1897)). At least four district courts have recognized that an infringement defendant may assert abandonment and improper revival as a defense.[3]

The Federal Circuit's decision produces the untenable result that a defendant may rely on a *court's* judgment that an applicant's delay in prosecution was excessive, but not on *Congress's* judgment as expressed in the statute. Both this Court and the Federal Circuit have recognized that an infringement defendant may assert that the patent-in-suit is unenforceable because the applicant inexcusably delayed in prosecution, even if the applicant *complied* with all statutory requirements. This defense, known as "prosecution laches," is directed to "an abuse of statutory provisions that results, as a matter of equity, in 'an unreasonable and unexplained delay in prosecution.' " Pet. App. 10a-11a n. 4 (quoting *Symbol Techs., Inc.* v. *Lemelson Med., Educ. & Research Found.*, 422 F.3d 1378, 1385 (Fed. Cir. 2005)).[4]

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[3] *See* Pet. App. 54a; *New York Univ.* v. *Autodesk, Inc.*, 466 F. Supp. 2d 563, 565 (S.D.N.Y. 2006); *Lawman Armor Corp.* v. *Simon*, No. 04-CV-72260, 2005 WL 1176973, at *6 (E.D. Mich. Mar. 29, 2005); *Field Hybrids, LLC* v. *Toyota Motor Corp.*, No. CIV. 03-4121, 2005 WL 189710, at *5 (D. Minn. Jan. 27, 2005).

[4] *See also Overland Motor*, 274 U.S. at 424 (recognizing defense of "abandonment by laches" in an infringement case); *Webster Elec. Co.* v. *Splitdorf Elec. Co.*, 264 U.S. 463, 465 (1924) (holding a patent invalid because of "unreasonable delay and neglect on the part of the applicant and his assignee"); *Woodbridge* v. *United States*, 263 U.S. 50, 55 (1923) (affirming judgment that applicant "forfeited or abandoned his right to a patent by his delay and laches."); *Mahn* v. *Harwood*, 112 U.S. 354, 362 (1884) (where the

There is no basis for recognizing a laches defense based on judicial notions of "unreasonable and unexplained delay" in prosecution, yet barring a defense based on statutory provisions directed to the same concern. Such a situation would promote judicial determinations of unreasonable delay over Congress's own. *A fortiori*, a party must be able to assert noncompliance with the abandonment and revival statutes as a defense in an infringement suit.

The Federal Circuit's decision is particularly problematic because it forbids defendants from arguing that a revival was improper even if the applicant *deliberately* abandoned the application. Revival following intentional abandonment is hardly unlikely, given that the PTO permits revival merely upon a declaration that the delay was "unintentional," without requiring applicants to provide any information or evidence supporting the declaration except in the rare situation that the PTO notices "a question whether the delay was unintentional." PTO, *Manual of Patent Examining Procedure* § 711.02 (2008) ("MPEP"). Accordingly, the Federal Circuit's decision allows unscrupulous applicants to abandon applications intentionally without consequence. Prosecution laches provides a defense in just that circumstance; indeed, it is available even when the delay is *not* intentional. *See Symbol*, 422 F.3d at 1382.

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holder of a reissue patent has engaged in laches, "he loses all right to a reissue . . . and the court, seeing this, has a right, and it is its duty, to declare the reissue *pro tanto* void, *in any suit founded upon it*" (second emphasis added)); *see also Pratt & Whitney Co. v. United States*, 345 F.2d 838, 844 (Ct. Cl. 1965) (holding patent claims "invalid due to laches").

There is no reason to bar an analogous defense based on the statute itself.[5]

B. The Federal Circuit's Statement That Applicants Lacked Any Incentive To Violate The Abandonment And Revival Provisions Was Both Inapposite And Incorrect

The Federal Circuit appeared to hold that an infringement defendant may only assert an applicant's statutory violations if the court can "discern" any "legitimate incentive" for a patent applicant to disobey the statutory provisions at issue. Pet. App. 13a. The court's own discernment of an applicant's incentive is not a proper basis for excusing statutory violations. And even if it were, the Federal Circuit overlooked the significant incentives for applicants to manipulate the patent system to the disadvantage of the public and of competitors acting in good faith.

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[5] Because a patent's term formerly ran from the date of issuance, this Court's early prosecution laches cases expressed a concern that the applicant, by delaying prosecution, delayed the beginning of its monopoly period. *See, e.g.*, *Woodbridge*, 263 U.S. at 56. This concern does not arise under the modern Patent Act, because a patent's duration generally begins to run from the date the application is filed. *See* Pet. App. 13a. But the Federal Circuit's reaffirmation of prosecution laches in *Symbol* confirms that the change in patent term does not remove the importance of "diligence in prosecuting the claims to an exclusive right." *Woodbury*, 101 U.S. at 485. As discussed in Part I.B below, there are many good reasons why Congress has maintained the Act's strict abandonment deadlines and limited revival standards. Moreover, it is not for the PTO or the Federal Circuit to decide that delays in patent prosecution may be excused on grounds other than those specified by the legislature. Now, as before, "the matter is entirely within the control of Congress." *Overland Motor*, 274 U.S. at 423.

1. The Federal Circuit should not excuse statutory violations based only on its inability to "discern" an "incentive" for noncompliance

The Federal Circuit devoted much of its opinion to its conclusion that noncompliance with Sections 133 and 371(d) did not fall within the infringement defenses enumerated in 35 U.S.C. § 282. Pet. App. 6a-13a. That inquiry did not end the matter because—as the court acknowledged—the list of defenses in Section 282 is not exhaustive. *See id.* at 12a; *Quantum Corp.* v. *Rodime, PLC*, 65 F.3d 1577, 1583 (Fed. Cir. 1995) ("Section 282 does not state that the list of invalidity defenses contained therein are the only ones available; the statute merely says '[t]he following shall be defenses.' The express words of section 282 therefore allow for the existence of other invalidity defenses."). Indeed, the Federal Circuit has recognized that infringement defendants may assert as a defense the violation of statutes and rules not listed in Section 282.[6]

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[6] In *Quantum*, the Federal Circuit allowed an infringement defendant to assert invalidity because the patentee expanded the scope of its claims during reexamination contrary to 35 U.S.C. § 305, even though "section 282 does not specifically mention section 305 as an invalidity defense in a patent infringement suit." 65 F.3d at 1583; *see also Thermalloy, Inc.* v. *Aavid Eng'g, Inc.*, 121 F.3d 691, 694 (Fed. Cir. 1997); *Creo Prods., Inc.* v. *Presstek, Inc.*, 166 F. Supp. 2d 944, 963-964 (D. Del. 2001), *aff'd*, 305 F.3d 1337 (Fed. Cir. 2002); *Giese* v. *Pierce Chem. Co.*, 43 F. Supp. 2d 98, 102-103 (D. Mass. 1999). And in *Dethmers Manufacturing Co.* v. *Automatic Equipment Manufacturing Co.*, 272 F.3d 1365, 1370 (Fed. Cir. 2001), the court confirmed that infringement defendants may argue invalidity based on a patentee's failure to comply with 37 C.F.R. § 1.175, which requires a patentee to submit a reissue declaration specifying each difference between the original and reissue claims, but which is not listed as a defense in Section 282. *See also Nupla Corp.* v. *IXL Mfg. Co.*, 114 F.3d 191, 194 (Fed. Cir.

The court's contrary decision regarding Sections 133 and 371(d) rested largely on its statement that "we discern no legitimate incentive for a patent applicant to intentionally abandon its application, much less to attempt to persuade the PTO to improperly revive it." Pet. App. 13a. Accordingly, the Federal Circuit appeared to conclude that a defendant's ability to assert that the applicant violated the Patent Act turned not on anything *Congress* provided, but rather on *the court's* assessment of the need for recognizing the defense, including whether the court "discern[ed]" that applicants had a "legitimate incentive" to violate the asserted statutory provisions.

With all due respect to the Federal Circuit, its inability to identify a reason why a patent applicant might intentionally not comply with Sections 133 and 371(d) is not a basis to deny an infringement defendant the opportunity to raise such a violation as a defense. Congress's abandonment and revival standards are binding on courts and parties alike, and noncompliance with them should lead a court to declare the patent invalid "in any suit founded upon it." *Mahn* v. *Harwood*, 112 U.S. 354, 362 (1884); *cf. Day-Brite Lighting Inc.* v. *Missouri*, 342 U.S. 421, 423 (1952) (court does "not sit

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1997). Likewise, the Federal Circuit has recognized "nonobviousness-type double patenting"—also known as "nonstatutory double patenting"—as a defense to infringement. *See, e.g., Pfizer, Inc.* v. *Teva Pharms. USA, Inc.*, 518 F.3d 1353, 1363 (Fed. Cir. 2008); *In re Metoprolol Succinate Patent Litig.*, 494 F.3d 1011, 1019-1020 (Fed. Cir. 2007). As the court explained in 1985, nonstatutory double patenting "is a judicially created doctrine grounded in public policy (a policy reflected in the patent statute) rather than based purely on the precise terms of the statute." *In re Longi*, 759 F.2d 887, 892 (Fed. Cir. 1985).

as a superlegislature to weigh the wisdom of legislation nor to decide whether the policy which it expresses offends the public welfare").

Patents provide an exceptional monopoly power under U.S. law, and there is every reason to construe Congress's limits on that power strictly. It is not for the Federal Circuit, nor any other court, to determine that some of Congress's limitations may simply be disregarded without consequence. *See Webster Elec. Co. v. Splitdorf Elec. Co.*, 264 U.S. 463, 466 (1924) (noting that it is "important that the law shall not be so loosely construed and enforced as to subvert its limitations, and bring about an undue extension of the patent monopoly against private and public rights").

2. Applicants have substantial incentives to manipulate the system

Even if it were proper for the Federal Circuit to assess the applicant's "incentive" for circumventing the abandonment and revival provisions, the Federal Circuit's assessment of that incentive was mistaken. The PTO maintains a practice of reviving applications if the applicant declares that the delay was "unintentional"—a relaxed standard that the district court found was contrary to Sections 133 and 371(d), which require "unavoidable" delay. While there may be "no legitimate incentive" to abandon an application and then seek to revive it under the PTO's lax "unintentional" standard (Pet. App. 13a), there are plenty of *illegitimate* motivations that will lead applicants to manipulate the patent system for their own financial gain and to the detriment of the public interest and fair competition.

Prosecuting a patent application can be costly and time-consuming, with no guarantee that the resulting patent will ever prove valuable. Abandoning the appli-

cation with the possibility of revival, however, is essentially costless. Under the decision below, an applicant can file an application, abandon it, and then lie in wait to determine whether an industry will later develop valuable products that fall within the application's claims. If no such products emerge, then the applicant has saved the costs of patent prosecution. If valuable products do emerge, then the applicant can revive the application and file suit against companies in that industry immediately following issuance. Those companies will then be forced to spend resources litigating a patent that, if Sections 133 and 371(d) were properly enforced, would be valueless.[7]

Defending a patent case—even a meritless one—can cost millions of dollars that would otherwise be used to fund research and development (R&D) and create jobs. Instead of developing and marketing innovative products, engineers must spend time evaluating asserted patents, sitting for depositions, and testifying in distant jurisdictions. *See* Federal Trade Comm'n, *To Promote Innovation: The Proper Balance of Competi-*

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[7] This scenario mirrors the well-known phenomenon of submarine patents. Such patents "remain 'submerged' during a long *ex parte* examination process and then 'surface' upon the grant of the patent," allowing the patentee to "demand high royalties from non-patent holders who invested and used the technology not knowing that patent would later be granted." *DiscoVision Assocs. v. Disc Mfg., Inc.*, 42 U.S.P.Q.2d 1749, 1756 n.11 (D. Del. 1997). Submarine patents have resulted in the payment of millions of dollars in royalties by innocent infringers. *See, e.g.*, 144 Cong. Rec. S8377, S8379 (daily ed. July 16, 1998) (Sen. Leahy) (reporting that Hewlett-Packard paid millions of dollars in royalties to submarine patentee); 143 Cong. Rec. H1629, H1642 (daily ed. Apr. 17, 1997) (Rep. Conyers) (describing $70 million payment for rights under patent that surfaced after twenty years).

tion and Patent Law and Policy, ch. 3, at 2 (2004) (describing the "costly nature of litigation to invalidate patents, both in terms of dollars and resources diverted from R&D"). This risk is particularly acute in fast-paced industries characterized by "rapid innovation." Lemley, *An Empirical Study of the Twenty-Year Patent Term*, 22 AIPLA Q.J. 369, 378 (1994).

These are not theoretical concerns, but real threats that companies face today from opportunistic entities who have no interest in practicing their patents. *See, e.g.*, *eBay Inc.* v. *MercExchange, LLC*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring) ("An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees."). Under the Federal Circuit's rule, non-practicing entities will continue to acquire abandoned patent applications, revive them under the PTO's unlawfully lenient standard, and launch infringement suits against companies developing products for the U.S. market.

Non-practicing entities are not troubled by a reduction in the exclusivity period caused by delayed patent prosecution; the benefit of holding the product market hostage and extracting a damages award or settlement in the near term more than compensates. Indeed, patents that issue after an extended prosecution period give rise to proportionately more litigation because there is a ready-made population of possible infringers, whose products and services were developed and commercialized while the application was abandoned. *See* Miller, *Undue Delay in the Prosecution of Patent Applications*, 74 J. Pat. & Trademark Off. Soc'y 729, 729-736 (1992). This Court has long recognized the risk of opportunistic patentees using the patent system for their own gain and to the detriment

of advancement. *See Atlantic Works* v. *Brady*, 107 U.S. 192, 200 (1883) (noting that the "design" of patent laws is thwarted by upholding patents in circumstances that would tend to "create[] a class of speculative schemers who make it their business to watch the advancing wave of improvement, and gather its foam in the form of patented monopolies, which enable them to lay a heavy tax upon the industry of the country, without contributing anything to the real advancement of the art. It embarrasses the honest pursuit of business with fears and apprehensions of concealed liens and unknown liabilities to lawsuits and vexatious accountings for profits made in good faith.").

Amici, like many innovative companies, have been the targets of infringement litigation by parties who take advantage of the PTO's practice (held unlawful by the district court below) of reviving abandoned applications merely upon a declaration of "unintentional" delay. However, under the Federal Circuit's decision, defendants are unfairly barred from asserting the plaintiff's abandonment as a defense. The only recourse is an inequitable conduct claim, which will succeed only if the defendant can prove, by clear and convincing evidence, that the applicant "made an affirmative misrepresentation of material fact, failed to disclose material information, or submitted false material information" and "intended to deceive the [PTO]." *Cargill, Inc.* v. *Canbra Foods, Ltd.*, 476 F.3d 1359, 1363 (Fed. Cir. 2007). Innocent third parties should not be forced to prove inequitable conduct when the applicant's failure to exercise the diligence required by Congress is evident by recourse to objective facts. Rather, once the defendant establishes abandonment, the burden should be on the patentholder to establish that the revival met the statutory standard. *Cf.* Long, *Information Costs in*

Patent and Copyright, 90 Va. L. Rev. 465, 468 (2004) ("Intellectual property owners, for their part, will know more about their intellectual goods than will nonowners.").[8]

In addition to encouraging noncompliance with statutory requirements, the Federal Circuit's rule impedes progress and competition by making it impossible for a company seeking to develop a product to know whether it may proceed in safety. Under the scheme Congress crafted, companies should be able to determine, by monitoring the status of published patent applications in the relevant field, whether an application has been abandoned and whether the application is unrevivable or revivable only for "unavoidable" delay. In that circumstance, a company could rely on that fact in deciding whether to proceed with product development.

The Federal Circuit's decision upsets that reliance. It permits the PTO to revive applications contrary to statute and bars any effort by a company to challenge that action in a later infringement suit. As a result, responsible patent counsel might be unable to "green light" a new product arguably covered by an abandoned

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[8] As noted above, the PTO will only require supporting information or evidence if "there is a question whether the delay was unintentional." MPEP § 711.02. As a result, the prosecution history will typically not contain any records that an accused infringer might use to support allegations of inequitable conduct stemming from prosecution delay. In this case, for example, Respondents provided no evidence explaining why they did not file the national stage fee or the revival petition on time. Pet. App. 24a-25a. Obtaining such evidence in discovery is no doubt the exception, not the rule. *See Brasseler, U.S.A. I, L.P.* v. *Stryker Sales Corp.*, 267 F.3d 1370, 1377 (Fed. Cir. 2001).

application, because the risk would always remain that the applicant could obtain a "revival" that could never be challenged. *See, e.g.*, Bessen & Meurer, *Patent Failure* 8 (2008) ("The expected costs of inadvertent infringement imposes a *dis*incentive on technology investors. Potential innovators consider not only the reward that they might reap from owning patents, but also the risk of being sued for infringing upon the patents of others. Clearly, if the risk of inadvertent infringement is too great, the net incentives provided by the patent system will be negative, and patents will fail as a property system."); Long, *supra*, 90 Va. L. Rev. at 468 (developers should have "at least enough information to determine where the boundaries or protection lie so as to fulfill their legal duties of avoiding infringement"); *Symbol*, 422 F.3d at 1386 (holding patent unenforceable for prosecution laches due to "the adverse effect on businesses that were unable to determine what was patented from what was not patented").

Likewise, the inability of businesses to rely on publicly available information precludes the ability to "design around" a patent, which the Federal Circuit has long recognized as one of the engines of innovation. *See Slimfold Mfg. Co.* v. *Kinkead Indus., Inc.*, 932 F.2d 1453, 1457 (Fed. Cir. 1991) ("Designing around patents is, in fact, one of the ways in which the patent system works to the advantage of the public in promoting progress in the useful arts, its constitutional purpose."). If a patent application has been abandoned but may be freely revived, companies cannot predict whether the claims in any ultimately issued patent might remain in the same form or might be modified or broadened. Designing around in such a situation is very difficult. *See* Bessen & Meurer, *supra*, at 14 ("Since infringement lawsuits are usually filed against firms exploiting new

technologies, development of a new technology exposes the innovator to risk of inadvertent infringement if patent boundaries are hidden, unclear or unpredictable.").

The Federal Circuit expressed concern that defendants would raise "every minor transgression they could comb from the file wrapper." Pet. App. 11a. Leaving aside the unsupported characterization of Sections 133 and 371(d) as "minor," the mere fact that a defense might be abused in some cases is not a reason to foreclose the defense altogether. In many cases—including, as the district court found, in this case—the defense will be meritorious. If the Federal Circuit's concern materializes, Congress can always amend the statute to ease the standard for overcoming abandonment. Until it does so, however, the courts should enforce Congress's limitations on the patent right as they stand. *See, e.g., Monroe* v. *Standard Oil Co.*, 452 U.S. 549, 565 (1981) ("If Congress desires to amend [the law], it is free to do so. But we must deal with the law as it is.").

II. This Case Is Of Significant National Importance

The implications of the Federal Circuit's decision are not limited to cases involving abandonment and improper revival. The Federal Circuit has recognized several other infringement defenses not falling within 35 U.S.C. § 282. *See supra* note 6. The decision below puts such defenses in question, as their continuing availability now turns on the Federal Circuit's discernment of any "legitimate incentive" for a patent applicant to flout Congress's express commands.

Moreover, this case presents an issue that could potentially affect numerous existing and future patents.

At least four districts have addressed this issue since 2005, each finding a patent invalid due to failure to comply with Congress's abandonment and revival provisions. *See supra* note 3.

The PTO itself has recognized the importance of this case. The Director of the PTO filed an *amicus* brief in the Federal Circuit, which is a rare occurrence: according to the PTO website, the Director has not filed an *amicus* brief in any other Federal Circuit case in the last three years.[9] The Director stated that approximately 73,000 abandoned patent applications had been revived under the "unintentional" standard in the past 25 years, with about 56% of those issuing as patents. PTO Amicus CA Br. 2. This does not include "patents that claim priority to an application revived under this standard." *Id.* On average, therefore, at least 1600 patents issue each year as a result of abandoned applications that the PTO later revives as "unintentionally" abandoned. While not all such revivals will be contrary to the statute,[10] the application of the PTO's unlawful policy in even a fraction of those cases creates significant risks that U.S. industry is being targeted under patents that should never have issued. *See id.* (stating that "the number of potentially affected patents is quite large").

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[9] *See* http://des.uspto.gov/Foia/DispatchABServlet?courtID=%7EU.S.+Court+of+Appeals+for+the+Federal+Circuit&fiscalYear=&caseNo=&title=&docTextSearch=&page=60.

[10] Some of the revivals might fall under provisions that allow revival for merely "unintentional" delay. *See, e.g.*, 35 U.S.C. §§ 111(a)4, (b)(3)(C), 122(b)(2)(B)(iii). Some might also have met the statutory "unavoidable" standard, had the PTO applied it.

The fact that a large number of patents may be the product of erroneous revival is not a reason for this Court to avoid addressing the question presented, which is whether the defense is cognizable at all. Not all revived patents would necessarily become vulnerable as a result. Many will not even be asserted in infringement litigation. To the extent Congress perceives that enforcing its statutory requirements produces undesirable results, it has ample tools at its disposal to take appropriate action.

Notably, the PTO did not support the Federal Circuit's holding that noncompliance with abandonment and revival provisions could not be raised as a defense at all. The PTO took no position on that issue, arguing only that its expansion of the possible grounds for revival of an abandoned patent application—from "unavoidable" delay to "unintentional" delay—was a permissible interpretation of the statute. *See* PTO Amicus CA Br. at Part VI.A. As noted above, the Court must presume—as the Federal Circuit did—that the statute forecloses the PTO's interpretation. On that basis, the Court should grant certiorari and reverse the judgment of the Federal Circuit.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

CHRISTOPHER J. MEADE
ALAN E. SCHOENFELD
WILMER CUTLER PICKERING
HALE AND DORR LLP
399 Park Avenue
New York, NY 10022
(212) 230-8800

WILLIAM F. LEE
DAVID B. BASSETT
MARK C. FLEMING
Counsel of Record
WILMER CUTLER PICKERING
HALE AND DORR LLP
60 State Street
Boston, MA 02109
(617) 526-6000

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